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ANNUAL REPORT

Jul

1972

PHILLIPS CABLES LIMITED





*Head Office and Brockville Factory, located on the St. Lawrence Seaway at the beginning of the Thousand Islands.*



# PHILLIPS CABLES LIMITED

HEAD OFFICE  
BROCKVILLE, ONTARIO  
CANADA

July 20, 1973

## TO THE SHAREHOLDERS:

In our first quarter report to Shareholders, it was indicated that heavy shipments would be made in the second quarter and that sales and earnings in this period would reflect the benefits of good first quarter production. It is gratifying to report, therefore, that sales for the first half of 1973 have surpassed all previous records and are 7% above the corresponding period of 1972.

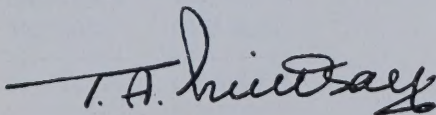
Earnings before income taxes, which do not include any estimate of inventory profit realized on copper price increases in 1973, have increased 18% over 1972.

Income taxes have been calculated at the reduced rate recently legislated by the Federal Government. Earnings per share of 22 cents reported for the first quarter are restated at 26 cents after giving effect to the new tax rates. Earnings per share for the first six months of 1973 are 23% higher than for the same period in 1972.

The following items will be of interest to Shareholders:

1. Construction has been started on the new telephone cable plant at Edmonton.
2. Domestic and Export demand for communication cables continues at a high level and planning for additional manufacturing facilities is progressing.
3. The contract with the bargaining agent for the hourly-paid employees at Brockville will expire July 28, 1973. Negotiations for a new contract have been carried out over the past few months and a Conciliation Officer has been appointed to meet with both parties early in August.
4. At Brockville, the program to improve productivity and efficiency is making satisfactory progress and we remain hopeful that implementation of the plans will bring the Power Products unit in line with the Company's standards.
5. Orders entered in the first half of 1973 are 38% above the corresponding period in 1972, which augurs well for continued good performance through the balance of the year.

ON BEHALF OF THE BOARD OF DIRECTORS



Chairman of the Board and President.

Printed in Canada

AR27

*CanCorp*



## INTERIM REPORT TO SHAREHOLDERS

SIX MONTHS ENDED

JUNE 30, 1973

## INTERIM STATEMENTS

(UNAUDITED AND SUBJECT TO YEAR-END ADJUSTMENTS)

### STATEMENT OF EARNINGS

SIX MONTHS ENDED JUNE 30

	1973	1972
Sales .....	✓ \$45,809,000	✓ \$42,914,000
Earnings before Income Taxes .....	\$ 5,405,000	\$ 4,573,000
Income Taxes .....	2,270,000	2,041,000
Earnings for the Period .....	✓ \$ 3,135,000	✓ \$ 2,532,000
Shares Outstanding .....	3,993,475	3,982,025
Earnings per Share .....	✓ 79¢	✓ 64¢

### STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SIX MONTHS ENDED JUNE 30

#### SOURCE OF FUNDS:

	1973	1972
Earnings for the Period .....	\$ 3,135,000	\$ 2,532,000
Depreciation and Similar Charges .....	1,049,000	969,000
Non-current Accounts Receivable .....	368,000	—
Issue of Capital Stock .....	50,000	1,000
	\$ 4,602,000	\$ 3,502,000

#### APPLICATION OF FUNDS:

Investment in Fixed Assets .....	\$ 858,000	\$ 918,000
Non-current Accounts Receivable .....	—	266,000
Dividends .....	1,198,000	796,000
Repayments on Long-term Debt .....	93,000	269,000

	\$ 2,149,000	\$ 2,249,000
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INCREASE IN WORKING CAPITAL .....	\$ 2,453,000	\$ 1,253,000
Working Capital at January 1 .....	23,402,000	20,097,000

WORKING CAPITAL AT JUNE 30 .....	\$25,855,000	\$21,350,000
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## ANNUAL REPORT

For the Year Ended December 31, 1972

### FINANCIAL HIGHLIGHTS

	1972	1971	1970	1969	1968
<b>SALES</b> .....	\$85,168,000	\$69,187,000	\$79,579,000	\$62,241,000	\$64,497,000
<b>EARNINGS</b>					
Before Income Taxes .....	\$10,052,000	\$ 7,580,000	\$ 9,959,000	\$ 5,534,000	\$ 2,281,000
Income Taxes .....	4,573,000	3,376,000	5,197,000	2,768,000	(169,000)
Before Extraordinary Item .....	5,479,000	4,204,000	4,762,000	2,766,000	2,450,000
Extraordinary Item: Income Taxes	—	—	442,000	268,000	—
Earnings for the Year .....	<u>\$ 5,479,000</u>	<u>\$ 4,204,000</u>	<u>\$ 5,204,000</u>	<u>\$ 3,034,000</u>	<u>\$ 2,450,000</u>
Depreciation Charged .....	\$ 1,891,000	\$ 1,785,000	\$ 1,630,000	\$ 1,640,000	\$ 1,816,000
Investment in Fixed Assets .....	2,471,000	1,696,000	2,493,000	1,211,000	1,848,000
Working Capital .....	\$23,402,000	\$20,097,000	\$17,369,000	\$14,882,000	\$13,970,000
Shareholders' Equity .....	32,956,000	29,003,000	26,392,000	22,744,000	20,819,000
Dividends Declared .....	1,594,000	1,593,000	1,710,000	1,109,000	1,109,000
Shares Outstanding .....	3,988,575	3,981,875	3,981,875	3,959,925	3,959,925
<b>PER SHARE</b>					
Earnings:					
Before Extraordinary Item ...	\$1.37	\$1.06	\$1.20	\$ .70	\$ .62
After Extraordinary Item .....	1.37	1.06	1.31	.76	.62
Dividends Paid .....	.40	.40	.40	.28	.28
Equity .....	8.26	7.29	6.63	5.74	5.26

### ANNUAL MEETING

The Annual Meeting of the Shareholders will be held at the Skyline Hotel, Stewart Boulevard, Brockville, Ontario, on April 27, 1973 at two-thirty o'clock in the afternoon.

### **BOARD OF DIRECTORS**

H. Campbell .....	Ottawa, Ont.	T. A. Lindsay .....	Brockville, Ont.
A. L. Fergenson .....	New York, U.S.A.	J. A. McCleery .....	London, England
G. Gingras .....	Montreal, Que.	J. Shearer .....	London, England
M. F. W. Greene .....	Brockville, Ont.	J. S. Waddington .....	Brockville, Ont.

### **OFFICERS**

Chairman & President .....	T. A. Lindsay
Vice-Chairman .....	J. A. McCleery
Vice-President & Secretary .....	M. F. W. Greene
Vice-President — Sales .....	C. F. Jardim
Vice-President — Brockville Operations .....	J. L. Olsen
Vice-President — Industrial Relations .....	J. R. Philips
Vice-President — Construction Products .....	C. Prescott
Vice-President — Power Products .....	R. C. Salkeld
Vice-President — Communication Products .....	J. S. Waddington
Treasurer .....	R. B. Wolton
Assistant Secretary .....	E. W. Reynolds

### **MANAGEMENT**

Manager of Manufacturing & Engineering — .....	G. H. Gallimore
Communication Products	
Manager of Manufacturing — Power Products .....	P. H. Wylie
General Sales Manager .....	A. L. Roy

### **AUDITORS**

Riddell, Stead & Co.  
Montreal, Que.

### **TRANSFER AGENT & REGISTRAR**

National Trust Company Ltd.  
Toronto and Montreal

### **BANKERS**

Canadian Imperial Bank of Commerce

### **SOLICITORS**

Borden, Elliot, Kelley & Palmer  
Toronto, Ont.



# PHILLIPS CABLES LIMITED

HEAD OFFICE  
BROCKVILLE, ONTARIO

## TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting their 19th Annual Report.

### Earnings

New records in Sales and Earnings were established in 1972, exceeding the previous high point in the year 1970.

Earnings in 1972, at \$1.37 per share compared to \$1.06 per share in 1971, show an increase of 29%.

### Sales

Sales increased 23% compared to 1971 as a result of a good volume of export business combined with accelerating demand for all products in the last half of the year. During 1972, the contracts for some \$10 million of telephone cable for the India Post and Telegraph Department, and the largest mining cable order ever received for the Iron Ore Company of Canada, were successfully completed.

### Financial and Dividends

The financial strength of the Company continued to increase with Working Capital at \$23,402,000 compared to \$20,097,000 in 1971.

The quarterly dividend rate of 10 cents per share was maintained throughout 1972. In view of the considerably improved results, your Directors, on February 16th, declared an extra dividend of 10 cents per share, payable on and after April 1, 1973.

The financial resources of the Company are sufficient to meet the capital expenditure programs planned for 1973 without resort to outside financing.

### Operations

Since 1889, when the first plant was established in Montreal, the Company has been engaged in the manufacture of wire and cable for use in telephone and power systems, residential and commercial building, and general industrial applications. From a modest beginning in one small plant, the Company has grown and expanded so that it now has six plants in Canada — from Dartmouth, Nova Scotia, to Vancouver, B.C. — serving the needs of the telephone and electrical industry in Canada and in some thirty countries abroad.

Most of this expansion has taken place since 1953 when British Insulated Callender's Cables Limited (BICC), one of the largest

cable making companies in the world, purchased a substantial shareholding in the Company. To illustrate — Sales in 1954 were \$25.6 million compared to the record of \$85.2 million achieved in 1972. While virtually autonomous in its operational policy, the Company enjoys the benefits of association in research and development with BICC and its U.S. affiliate, General Cable Corporation.

The Brockville plant, started in 1922 with the establishment of Canada's first copper rolling mill, is the Company's oldest operation and headquarters of the Power Products Division. It produces a wide range of products, not only for consumers of Power and Magnet Wire but also for the other product Divisions. Encouraging progress is being made in transforming it into a more efficient production facility. This is being accomplished by rationalization of product lines, by upgrading of equipment, and by changes in the plant layout. A senior member of Management has been seconded for a period of nearly a year to work specifically on this program.

Communication cables are produced in plants at Dartmouth, Nova Scotia; Rimouski, Quebec; Sentinel, Alberta; and Vancouver, B.C. During 1972 contracts with the Government of India were completed for substantial quantities of a new design of underground telephone cable. Completion of these orders coincided with a rapid increase in domestic demand for telephone cable following a period of slower growth. 1973 projections for capital expenditures by Canadian telephone administrations and the demand for Phillips' new Cellular polyethylene insulation, in both directly buried and duct cables, are such that our plants will be almost fully occupied on domestic business this year. Growth in this area is expected to continue, and in order to meet this demand it has been decided to build a new telephone cable factory in Edmonton, Alberta. A site has been selected and construction is expected to start this spring with completion scheduled for the first quarter of 1974. The new facility will embody the most up-to-date equipment and technology available in the field of telephone cable manufacture.

Construction activity in most parts of Canada has remained strong throughout 1972 and so far into 1973 compared to the normal seasonal slackening which usually occurs in mid-November and through the winter months. As a result, the demand for building wires and outlet boxes from the Toronto-based Construction Products Division continues unabated. This buoyant market is particularly



evident in products required for the single-residence type of dwelling. Aluminum conductor cables have become firmly established in the building wire field and the trend towards substitution for copper is expected to develop further as the price differential between the two metals widens.

### Metals

During 1972, no difficulty was experienced in obtaining adequate supplies of copper and aluminum, our two important conductor metals. The price per pound of copper fluctuated during the year from 50.375 cents in January to a high of 52.625 cents in February, and at December 31st was 50.50 cents. Since January 1973, the price has advanced rapidly and currently is 60 cents per pound.

### Board of Directors and Management

At July 31, 1972, Mr. J. E. Thomas, Vice-President and a Director, having reached pensionable age, retired. During his twenty-six years of service with the Company, Mr. Thomas made a valuable contribution to the progress of the Company, both in the manufacturing sector and latterly as Vice-President in charge of Sales.

At December 31, 1972, Mr. J. R. Philips, Vice-President of the Company since 1953, and a Director for many years, also retired. For the past several years, Mr. Philips has been primarily concerned with personnel and industrial relations, a field in which he excelled.

Their colleagues in Management and on the Board wish both Mr. Thomas and Mr. Philips a long and happy retirement.

At a recent meeting of the Board of Directors, it was agreed that the following new Directors would be nominated for election at the Annual Meeting of Shareholders:

C. F. Jardim  
Vice-President, Sales, Phillips Cables Ltd.

Donald B. McCaskill  
President, Connaught Laboratories Ltd.

J. L. Olsen  
Vice-President, Brockville Operations,  
Phillips Cables Ltd.

David L. Torrey  
Vice-President, Pitfield, Mackay,  
Ross & Co. Ltd.

### Personnel

During 1972, labour contracts were negotiated at our plants in Toronto and Vancouver, without interruption to production.

In February and March 1973, following brief negotiating periods, new two-year agreements were concluded with the bargaining agents for the employees at the Sentinel, Alberta, and Dartmouth, Nova Scotia, plants.

The contract at the Brockville factory expires July 28, 1973, and negotiations can be expected to commence in late May.

The total number of employees in the Company at the end of 1972 was 1,690 compared to 1,667 in 1971. The employment level fluctuated within a 10% range during the year, and at present is consistent with the improved business conditions existing throughout 1972 and into 1973.

The very satisfactory results of 1972 are a reflection on the effort and loyal support of all employees of the Company. Your Directors take pleasure in thanking all concerned for their important contribution to another record-breaking year.

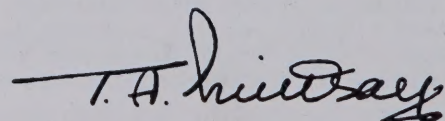
### Outlook

The upsurge in the domestic economy, which became evident in mid-1972, has provided the wire and cable industry with the best market conditions experienced for many years. Industrial expansion has created new demands for communication, electric power, and capital equipment, all of which are prime users of our products. In addition, the housing program shows little sign of slackening, with consequent benefit to all sectors of our business because of the important multiplier effect inherent in house construction.

Despite heavy domestic demands, it is the intention to maintain our position in the export market to the maximum extent possible. Present indications point to the fact that world demand for wire and cable will continue to increase, and, by 1974, with expanded facilities at our disposal, we expect to take full advantage of developing export markets.

Good demand, coupled with a relatively stable price structure and the benefits of profit-improvement programs, provide the ingredients for the successful year which we are anticipating in 1973.

On behalf of the Board of Directors,



Chairman and President.

March 26, 1973.



**PHILLIPS CABLES LIMITED**

AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Sales .....	\$85,168,000	\$69,187,000
Cost of sales, selling and administrative expenses .....	72,511,000	59,147,000
Depreciation .....	1,891,000	1,785,000
Interest on long-term debt .....	298,000	315,000
Remuneration of directors and officers (Note 4) .....	416,000	360,000
	<u>75,116,000</u>	<u>61,607,000</u>
Earnings before Income Taxes .....	10,052,000	7,580,000
Income Taxes .....	4,573,000	3,376,000
Earnings for the Year .....	<u>\$ 5,479,000</u>	<u>\$ 4,204,000</u>
Earnings per Share .....	\$ 1.37	\$ 1.06

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
Balance at January 1 .....	\$19,125,000	\$16,514,000
Earnings for the year .....	<u>5,479,000</u>	<u>4,204,000</u>
	24,604,000	20,718,000
Dividends .....	<u>1,594,000</u>	<u>1,593,000</u>
Balance at December 31 .....	<u>\$23,010,000</u>	<u>\$19,125,000</u>



## CONSOLIDATED

AS AT

## ASSETS

		1972	1971
<b>Current Assets</b>			
Cash .....		\$ 294,000	\$ 216,000
Short-term deposits .....		7,400,000	3,750,000
Accounts receivable .....		10,082,000	7,895,000
Inventories at lower of cost and net realizable value .....		17,324,000	17,849,000
Prepaid expenses .....		54,000	130,000
		<u>35,154,000</u>	<u>29,840,000</u>
 Accounts Receivable — due in 1974 .....		 368,000	 331,000
 Mortgage Receivable .....		 200,000	 225,000
 <b>Fixed Assets</b>			
	Cost	Accumulated Depreciation	
Land .....	\$ 335,000	\$ —	335,000 335,000
Buildings .....	8,948,000	3,425,000	5,523,000 5,692,000
Machinery .....	25,573,000	15,506,000	10,067,000 9,563,000
Construction in progress .....	637,000	—	637,000 445,000
	<u>\$35,493,000</u>	<u>\$18,931,000</u>	<u>16,562,000</u> <u>16,035,000</u>

Signed on behalf of the Board:

T. A. LINDSAY, Director.

GÉRARD GINGRAS, Director.

<u>\$52,284,000</u>	<u>\$46,431,000</u>
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**BALANCE SHEET**

PER 31, 1972

**LIABILITIES**

	1972	1971
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities .....	\$ 5,735,000	\$ 6,195,000
Income and other taxes .....	3,295,000	1,083,000
Dividend payable .....	399,000	398,000
Current maturities of long-term debt .....	34,000	34,000
Deposits held for returnable containers .....	2,289,000	2,033,000
	<u>11,752,000</u>	<u>9,743,000</u>
 Long-Term Debt (Note 2) .....	 4,988,000	 5,275,000
 Deferred Income Taxes .....	 2,588,000	 2,410,000

**SHAREHOLDERS' EQUITY**

<b>Capital Stock (Note 3)</b>		
Authorized — 5,000,000 shares without nominal or par value		
Issued — 3,988,575 shares .....	9,946,000	9,878,000
Retained Earnings .....	23,010,000	19,125,000
	<u>32,956,000</u>	<u>29,003,000</u>

<u>\$52,284,000</u>	<u>\$46,431,000</u>
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**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
<b>Source of Funds</b>		
Earnings for the year .....	\$ 5,479,000	\$ 4,204,000
Transactions not requiring the use of funds:		
Depreciation and net book value of assets retired .....	1,944,000	1,810,000
Deferred income taxes .....	178,000	613,000
Funds provided from operations .....	7,601,000	6,627,000
Mortgage repayment .....	25,000	25,000
Issue of capital stock .....	68,000	—
	<u>7,694,000</u>	<u>6,652,000</u>
<b>Application of Funds</b>		
Investment in fixed assets .....	2,471,000	1,696,000
Non-current accounts receivable .....	37,000	331,000
Dividends .....	1,594,000	1,593,000
Repayments on long-term debt .....	287,000	304,000
	<u>4,389,000</u>	<u>3,924,000</u>
 Increase in Working Capital .....	 3,305,000	 2,728,000
Working Capital at January 1 .....	20,097,000	17,369,000
Working Capital at December 31 .....	<u>\$23,402,000</u>	<u>\$20,097,000</u>



**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972

### 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial position and results of operations of Phillips Cables Limited and its wholly-owned subsidiary.

2. LONG-TERM DEBT	1972	1971
5¾% First Mortgage Sinking Fund Bonds Series A due February 1, 1985		
Authorized and issued .....	\$6,500,000	\$6,500,000
Purchased and cancelled .....	1,670,000	1,420,000
	<u>4,830,000</u>	<u>5,080,000</u>
7½% Chattel mortgages .....	192,000	229,000
Current maturities .....	34,000	34,000
	<u>158,000</u>	<u>195,000</u>
	<u>\$4,988,000</u>	<u>\$5,275,000</u>

The trust deed provides for sinking fund payments sufficient to retire \$4,700,000 of the Series A bonds by February 1, 1984. The payments due February 1, 1973 and 1974 amount to \$550,000 of which \$520,000 has been fulfilled by the purchase and cancellation of bonds.

### 3. CAPITAL STOCK

During the year options exercisable at \$10.20 per share on or before April 30, 1977 were granted under the company's incentive stock option plan on an aggregate of 25,000 shares to officers and other full-time key employees. Options have been exercised on 6,700 shares leaving a balance outstanding of 18,300.

(Continued)



**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1972

**4. REMUNERATION OF DIRECTORS AND OFFICERS**

	1972	1971
Remuneration of directors as directors .....	\$ 26,000	\$ 27,000
Number of directors .....	9	9
Remuneration of officers .....	390,000	333,000
Number of officers .....	13	12
Number of officers who are directors .....	6	6

**5. PENSION PLANS**

The unfunded liability of the employees' pension plans at December 31, 1972 is estimated to be \$4,165,000. It is the intention of the company to amortize this amount over the next seventeen years. The increase in this liability over the previous year arose largely because of additional retirement benefits granted by the company.

**6. COMMITMENTS**

Commitments for capital expenditures not provided for in the accounts amount to approximately \$566,000.



# *Riddell, Stead & Co.*

CHARTERED ACCOUNTANTS 630 Dorchester Blvd. W., Montreal 101, P.Q.

## AUDITORS' REPORT

To the Shareholders  
Phillips Cables Limited

We have examined the consolidated balance sheet of Phillips Cables Limited and subsidiary as at December 31, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Riddell, Stead & Co.*

February 13, 1973



# PHILLIPS CABLES LIMITED

## SALES OFFICES

Atlantic Provinces ..... Woodside Industrial Park, Dartmouth, N.S.  
Quebec ..... 265 McArthur St., Ville St. Laurent  
Ontario ..... 287 MacLaren Street, Ottawa  
King Street West, Brockville  
756 Warden Ave., Scarborough  
199 Parkdale Ave. N., Hamilton  
Manitoba ..... 1236 Sargent Avenue, Winnipeg  
Saskatchewan ..... 511 E. Ross Avenue, Regina  
Alberta ..... 14740 - 119th Ave., Edmonton  
3411 - 10th St. S.E., Calgary  
British Columbia ..... 8330 Chester Street, Vancouver

## FACTORIES

Atlantic Provinces ..... Dartmouth, N.S.  
Quebec ..... Rimouski  
Ontario ..... Brockville  
Scarborough  
Prairie Provinces ..... Sentinel, Alta.  
British Columbia ..... Vancouver





**P**hillips  
**G**ables

A Whole **G**alaxy of **C**ables

*\*8000 cables in Ten Major Categories*

SIX FACTORIES  
9 WAREHOUSES COAST TO COAST



